BDIC NWT

2012-13 Corporate Plan

Northwest Territories Business Development and Investment Corportation

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INTRODUCTION

The Northwest Territories Business Development and Investment Corporation (BDIC) was established as an independent Crown Corporation of the Government of the Northwest Territories (GNWT) on April 1, 2005 and is now entering its seventh year of operations. The BDIC's mandate is to:

... support the economic objectives of the Government of the Northwest Territories in a manner that benefits the people and the economy of the Northwest Territories by

a. encouraging the creation and development of business enterprises;
b. providing financial assistance to business enterprises, either on its own or as a complement to private sector or other financing;
c. directly investing in business enterprises; and
d. providing information to business enterprises and members of the public respecting
    i. the establishment and operation of businesses, and
    ii. other business matters.

The establishment of the BDIC streamlines and improves the coordination of the GNWT's business assistance programs, allowing for more flexibility in the delivery of programs and a broader range of services, including business information services.

VISION

An accountable and independent Crown Corporation providing resources for the economic development of the Northwest Territories.

MISSION

To support the economy by encouraging the creation and development of businesses in communities.

PROGRAMS

The BDIC Act enables the BDIC to be flexible in developing and delivering business programs to meet its mandate and fulfill its vision and mission. The BDIC's programs and services are available to businesses in the Northwest Territories.

The BDIC currently offers a variety of financial programs and business services to its clients.

Financial Programs

Credit Facilities

The Credit Facilities program is a debt financing program. The BDIC lends to northern businesses where conventional lending institutions are not prepared to participate and also lends to businesses in communities where commercial banks are not operating. The terms can be flexible to meet the needs of individual clients.

The BDIC provides Working Capital Guarantees to banks for NWT businesses to obtain lines of credit for operations.

The BDIC also provides Standby Letters of Credit for contract security and to support businesses in obtaining credit from their suppliers.

At the end of 2011/2012 the BDIC's Credit Facilities program portfolio was approximately $50 million.

Venture Investments

The BDIC's Venture Investment program is an equity financing program, providing capital to enhance clients' ongoing stake in a business or project. The BDIC invests in return for preferred shares. The client pays dividends to the BDIC and buys back the preferred shares from the BDIC over time.

Funding from the Venture Investment program is tied to the number of jobs to be created and maintained by the business.

At the end of 2011/2012, the BDIC's Venture Investment program portfolio totalled $1.7 million.

Contributions

The BDIC offers contributions for start-up and expansion projects including feasibility assessments, development of new products, preparation of marketing and business plans and pilot projects. Contributions are small amounts of funding in the form of grants .

In 2011/2012 the BDIC approved approximately $257,000 in contribution funding.

Subsidiary Companies

The BDIC owns subsidiary companies and provides them with operating funds or capital funds for new facilities or equipment. This funding is provided so the subsidiary can create and maintain employment within the community. Where necessary, the BDIC also provides a range of support services to its subsidiaries including accounting, marketing, and general operational support. Several of the BDIC's subsidiaries promote traditional fine arts and crafts activities and the use of traditional materials, which support the local economy.

Funding from the subsidiary program is tied to the number of jobs to be created and maintained by the business.

In 2011/2012, the BDIC had seven operating subsidiaries in Fort Liard, Fort McPherson, Fort Providence, Nahanni Butte, Ulukhaktok, Sachs Harbour and Yellowknife. Six of these maintained the equivalent of 20 direct positions. The Yellowknife subsidiary is operated by the BDIC to promote and market other subsidiaries. In addition to the approximate $1 million annual subsidy, the BDIC's subsidiary program investment is approximately $4.8 million.

Funding Available

The funding available from the BDIC differs by program, as follows:

Credit Facilities program

- A maximum of $2 million in combined credit and venture investment funding is available to a business or group of related businesses.
- Funding over these limits is available with Financial Management Board approval.

Venture Investment program

- A maximum of $100,000 per job created or maintained is available as an initial investment.
- A maximum of $250,000 or 25% of the amount initially invested, whichever is lower, is available as a subsequent investment in the same business enterprise.
- A maximum of $2 million in combined venture investment and credit is available to a business or group of related businesses.
- Funding over these limits is available with Financial Management Board approval.

Contribution program

A maximum non-repayable contribution in a 5 year period of $10,000 per client in a level I community or $20,000 per client in a level II community is available to NWT residents. Clients may apply more than once until the 5 year maximum is reached.

Subsidiary program

- A maximum of $100,000 per job created or maintained is available as an initial investment.
- A maximum of $25,000 per job created or maintained is available as an annual operating subsidy.
- A maximum of $250,000 or 25% of the amount initially invested, whichever is lower, is available as a subsequent investment in the same business enterprise.
- Funding over these limits requires Financial Management Board approval.

Business Support Services

The BDIC provides a range of business services to support new and existing clients through Canada Business NWT (CBNWT), which offers access to the internet, computer workstations and other office equipment, a business resource library, research services, and a regular series of video-conferencing sessions on topics of interest to entrepreneurs.

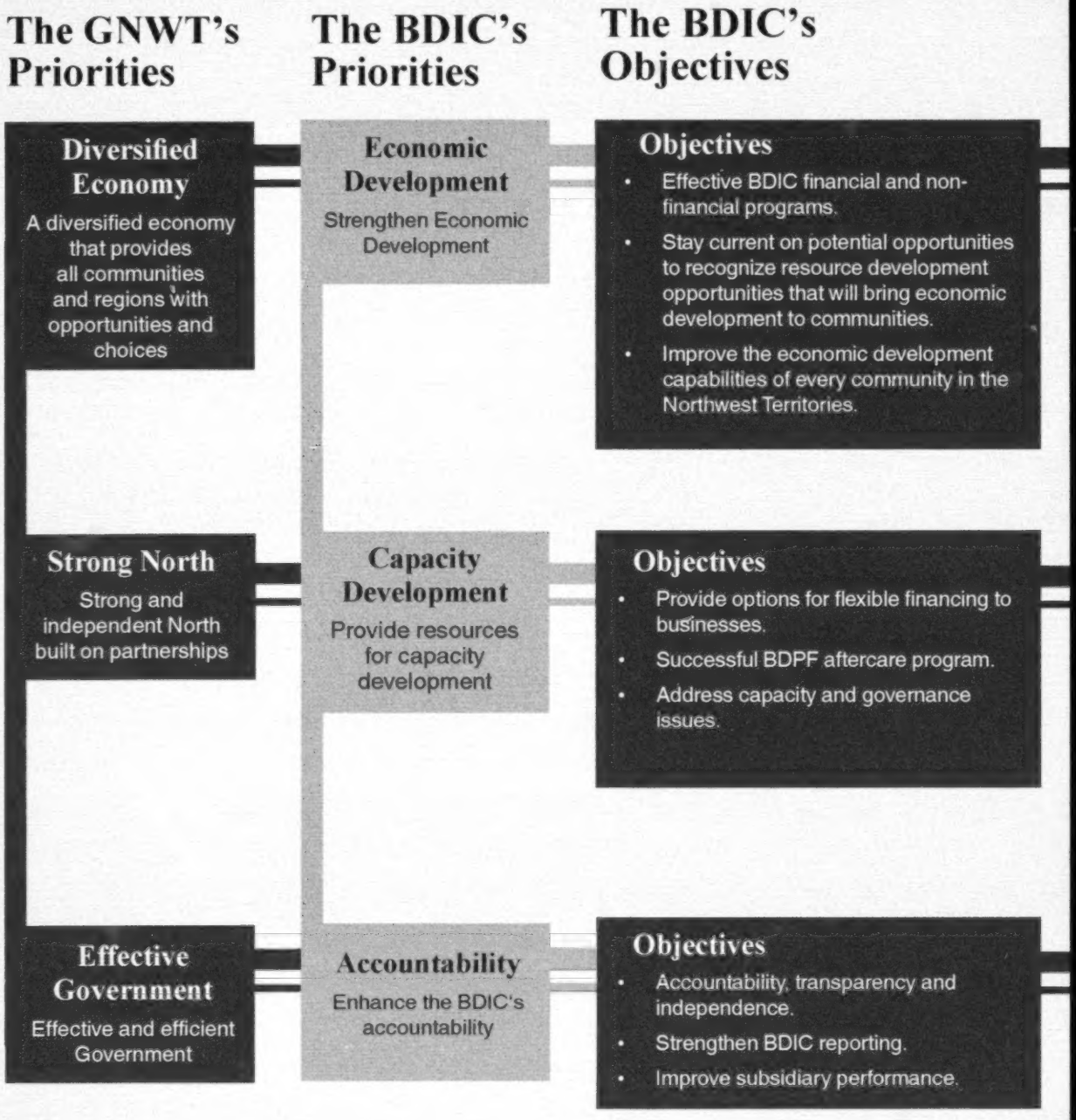
Canada Business NWT is housed by the BDIC and operated in partnership with the Canadian Northern Economic Development Agency (CanNor). Its mission is to contribute to economic growth by ensuring that business people across the NWT have access to accurate, timely and relevant business information through a convenient single window. It provides a wide range of information on small business programs, services and regulations to the public.

Publications and other information sources are available to northern communities through the Canada Business NWT (www.canadabusiness.com) and the BDIC's (www.bdic.ca/canada-business-nwt/) websites. Canada Business NWT also arranges with other organizations, such as Community Futures Development Corporations, to set up access points in NWT communities. Access points consist of a computer with internet access and hard copies of documents from the Centre's library of business-related publications. There is at least one access point in each region of the NWT.

In 2011/2012, CBNWT served over 250 clients and its website received over 2,400 internet visits.

2011/12 AT A GLANCE

- **26 BDPF** contributions totalling $257,000
- Over **5,600 online visitors** to BDIC.ca
- **18 loans** totalling **$7,166,000** were approved
- **250 visitors** to the Canada Business Service Centre and over **2,400 online**
- **20 direct** full-time equivalent **employees** employed at the BDIC's subsidiary companies


The GNWT's Priorities
The BDIC's Priorities
The BDIC's Objectives
Diversified Economy
A diversified economy that provides all communities and regions with opportunities and choices
Economic Development
Strengthen Economic Development
Objectives
Effective BDIC financial and non-financial programs.
Stay current on potential opportunities to recognize resource development opportunities that will bring economic development to communities.
Improve the economic development capabilities of every community in the Northwest Territories.
Strong North
Strong and independent North built on partnerships
Capacity Development
Provide resources for capacity development
Objectives
Provide options for flexible financing to businesses.
Successful BDPF aftercare program.
Address capacity and governance issues.
Effective Government
Effective and efficient Government
Accountability
Enhance the BDIC's accountability
Objectives
Accountability, transparency and independence.
Strengthen BDIC reporting.
Improve subsidiary performance.

The BDIC's Action Plan

Actions

- Review the BDIC's financial and non financial programs.
- Re-focus venture investment program.
- Promote the BDIC and its programs.
- Establish additional BDIC positions in communities outside of Yellowknife by recruiting staff at subsidiaries to promote and deliver the BDIC's programs.
- Research new products and programs.
- Enhance quality of CBNWT by improving online services.

Actions

- Use flexible lending and account management approaches.
- Promote services or training where lack of capacity.
- Build capacity by sponsorship of conferences and other skills development opportunities for entrepreneurs and community economic development officers.
- Initiate an after-care program for BDIC clients in NWT communities.
- Follow-up on BDPF after-care and funding to track performance.

Actions

- Delivery of the BDIC programs independent from external influences.
- Releasing quarterly reports to the BDIC Board and Minister.
- Change approach to governance and funding of subsidiaries to place more accountability on the General Manager of each subsidiary.

Measuring Success

Measurements

- Programs reviewed.
- A venture program which has more and better options.
- BDIC client(s) in every community.
- Establishment of new subsidiary or improved services provided by the existing subsidiaries.
- Improvement and added flexibility to credit program.
- A user friendly and innovative website.

Measurements

- Flexible lending used and additional sector based reporting.
- Business course/seminars delivered.
- Successful NEDP conference.
- Implemented after-care program.
- Positive reports on BDPF successes.

Measurements

- Accountability and transparency with improved reporting structure.
- Newsletters, website updates and timely quarterly reports.
- Subsidiary governance re-structure.

BUDGET SUMMARY

The BDIC's budget is divided into two separate sets of funds: the Contribution Fund and the Loans and Investment Fund.

The Contribution Fund receives an annual funding from the GNWT, the Canadian Northern Economic Development Agency and through investment income. Money in this fund is used for:

- Annual subsidy payments to BDIC subsidiaries and contributions to northern businesses.
- Capital investments in BDIC subsidiaries (either to establish new subsidiaries or for capital improvements required to maintain existing subsidiaries.
- Annual subsidy to operate the Canada Business NWT.
- General operating expenses, which include the costs associated with the delivery of all programs, including loans and venture investments, and business service programs and the provision of accounting, marketing, and operational support to the subsidiaries.

The Loan and Investment Fund is funded through repayments from clients or through borrowing from the GNWT. Money in this Fund provides credit to northern businesses through the BDIC's credit facilities and venture investment programs.

Contribution Fund

The Contribution Fund provides funding to four separate funds:

- The Subsidy Fund provides subsidies to the subsidiaries.
- The Capital Fund provides start-up costs to new subsidiaries.
- The Capital Reserve Fund provides financial assistance for capital repairs to existing subsidiaries. The equivalent of 10% of the financial assistance spent from the Capital Fund is allocated to the capital reserve fund.
- The General Operating Fund comprises of contribution from the GNWT, and interest income generated through the BDIC's participation in the GNWT's investment pool. Operating expenses are used to fund the BDIC's business services programs and support the BDIC's financial programs.

The BDIC forecasts revenues of $3,950,000 in the Contribution Fund for 2012/2013. Of this amount, $3,704,000 would be funded from the GNWT, $97,000 from the Canadian Northern Economic Development Agency to co-fund the Canada Business NWT centre and $149,000 in interest income.

Of the $3,704,000 GNWT contribution,

$1,215,000 is allocated to the Subsidy Fund and the remainder $2,489,000 is allocated to the General Operating Fund.

Loan and Investment Fund

Under its Act, the BDIC is required to establish a Loan and Investment Fund. This Fund is a source of cash for two of the BDIC's financial programs, loan and venture investments. Each of these financial program has its own fund.

- The Loan Fund provides loan capital to existing and new loan clients. Payments received are used for lending purposes and repayments to the GNWT.
- The Venture Investment Fund provides equity investment assistance to new and existing venture clients. Payments received are used for investment purposes.

Disbursements for loans and venture investments are issued from, and repayments from clients are deposited into, the respective funds.

If there is insufficient money available for lending or investment purposes, the BDIC can borrow up to $150 million from the GNWT subject to the borrowing limit set by the Financial Management Board. The money borrowed from this fund by the BDIC is currently $45 million. Interest is charged by the GNWT on the outstanding balance.

2012/2013 BUDGET

Exhibit 1 - Contribution Fund Budget Summary ($000)
2013 Fiscal Year

	Subsidy Fund	Capital Fund	Capital Reserve Fund	General Operating Fund
Opening Balance	459	873	147	4,889
Sources of Cash	1,215	-	-	2,735
Use of Cash	1,215	-	-	2,735
Closing Balance	459	873	147	4,889

Exhibit 2 - Subsidy Fund Budget ($000)
2013 Fiscal Year

	Budgeted 2013	Budgeted 2012	Actual 2012
Opening Balance	459	663	663
Sources of Cash:			
GNWT Contribution	1,215	900	900
Sub-Total	1,215	900	900
Uses of Cash:			
Contributions:			
Business Development Projects	300	300	244
Subsidiaries:			
5983 NWT Ltd. (Ulukhaktok Arts Centre)	130	200	50
Acho Dene Native Crafts Ltd.	125	125	125
Arctic Canada Trading Co. Ltd.	50	-	-
Dene Fur Clouds Ltd.	200	250	250
913O44 NWT Ltd.	85	85	85
Nahanni Butte General Store Ltd.	125	125	125
6355 NWT Ltd. (Muskox Company)	200	300	225
Sub-Total	1,215	1,385	1,104
Closing Balance	459	178	459

Exhibit 3 - Capital Fund Budget ($000)
2013 Fiscal Year

	Budgeted 2013	Budgeted 2012	Actual 2012
Opening Balance	873	1,301	1,301
Sources of Cash:			
GNWT Contribution	-	-	-
Sub-Total	-	-	-
Uses of Cash:			
Subsidiaries (1):			
6355 NWT Ltd. (Muskox Company)	-	708	428
Sub-Total	-	708	428
Closing Balance	873	593	873

Notes to the Capital Fund:

1. The BDIC may, for each job directly or indirectly created in a project or subsidiary, pay from the Capital Fund to a subsidiary or for the benefit of a project, an initial investment in, an amount not exceeding the prescribed maximum of $100,000 per direct job or in an amount greater than the prescribed maximum for the project or subsidiary with the approval of the FMB.

Exhibit 4 - Capital Reserve Fund Budget ($000)
2013 Fiscal Year

	Budgeted 2013	Budgeted 2012	Actual 2012
Opening Balance	147	104	104
Sources of Cash:			
GNWT Contribution	-	71	43
Sub-Total	-	71	43
Uses of Cash:			
Nahanni Butte General Store Ltd.	-	50	-
Sub-Total	-	50	-
Closing Balance	147	125	147

Exhibit 5 - General Operating Fund Budget ($000)
2013 Fiscal Year

	Budgeted 2013	Budgeted 2012	Actual 2012
Opening Balance	4,889	3,646	4,320
Sources of Cash:			
GNWT Contribution	2,489	2,733	2,733
Interest	149	110	162
Business Service Centre Contribution	97	-	99
Other	-	-	22
Sub-Total	2,735	2,843	3,016
Uses of Cash:			
Operation Expenditures			
Advertising	50	65	7
Board expenses	58	95	38
Business Service Centre	97	-	99
Computers	80	80	75
Office	60	75	57
Purchased services	100	200	99
Telephone & communications	20	30	15
Travel	100	100	66
Salaries & benefits	2,170	2,150	1,991
Sub-Total	2,735	2,795	2,447
Closing Balance	4,889	3,694	4,889

Exhibit 6 - Loan and Investment Fund Budget Summary ($000)
2013 Fiscal Year

	Venture Investment Fund	Loan Fund
Opening Balance	4,396	220
Sources of Cash	23	7,510
Use of Cash	-	7,000
Closing Balance	4,419	730

Exhibit 7 - Venture Investment Fund Budget ($000)
2013 Fiscal Year

	Budgeted 2013	Budgeted 2012	Actual 2012
Opening Balance	4,396	4,325	4,327
Sources of Cash:			
Dividends	8	10	6
Redemptions	15	10	63
Sub-Total	23	20	69
Uses of Cash:			
Venture Investments	-	500	-
Sub-Total	-	500	-
Closing Balance	4,419	3,845	4,396

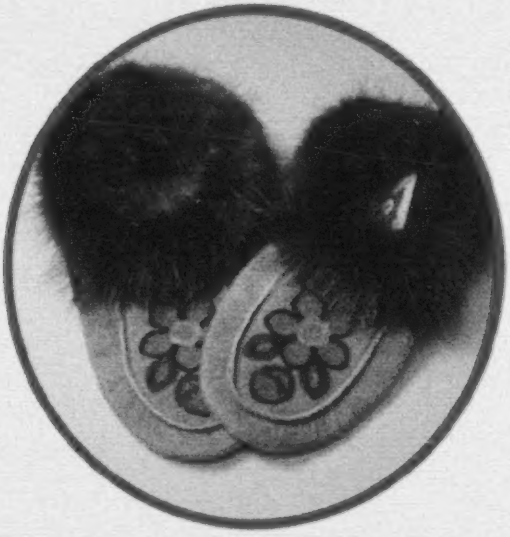


Exhibit 8 - Loan Fund Budget ($000)
2013 Fiscal Year

	Budgeted 2013	Budgeted 2012	Actual 2012
Opening Balance	220	1,908	1,632
Sources of Cash:			
Repayments received	7,500	5,900	7,014
Interest Income	10	10	15
Borrowed from the GNWT (net)	-	500	-
Sub-Total	7,510	6,410	7,029
Uses of Cash:			
Loans disbursed	6,000	6,000	5,441
Repayment to the GNWT (net)	1,000	-	3,000
Sub-Total	7,000	6,000	8,441
Closing Balance	730	2,318	220

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